

**CALENDAR ITEM
C129**

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06/23/11
PRC 8377.1
M. Le Clair

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**CONSIDER APPROVAL OF AN ASSIGNMENT OF A
56.25 PERCENT INTEREST IN A PORTION OF VENOCO, INC.'S
100 PERCENT INTEREST IN STATE OIL AND GAS
LEASE NO. PRC 8377.1 TO ROSETTA RESOURCES OPERATING LP,
AND APPROVAL OF A SUBSEQUENT ASSIGNMENT OF
THAT INTEREST TO VINTAGE PETROLEUM, LLC,
GRIZZLY ISLAND WILDLIFE MANAGEMENT AREA,
SOLANO COUNTY**

ASSIGNORS:

Venoco, Inc.
Attn.: Mr. Craig Blancett
370 17th St., Ste. 3900
Denver, CO 80202

Rosetta Resources Operating LP
Attn.: Mr. Michael J. Rosinski
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEES:

Rosetta Resources Operating LP
Attn.: Mr. Michael J. Rosinski
717 Texas, Suite 2800
Houston, TX 77002

Vintage Petroleum
Attn.: Mr. Michael D. Gooding
9600 Ming Ave., Suite 300
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Negotiated, limited surface use Oil and Gas Lease No. PRC 8377.1 contains 362.49 acres, more or less, of State sovereign lands and 4,165.5 acres, more or

CALENDAR ITEM NO. **C129** (CONT'D)

less, of Department of Fish and Game (DF&G) lands in Solano County, California (Exhibit A, attached hereto).

BACKGROUND:

The California State Lands Commission (Commission) issued negotiated limited surface use Oil and Gas Lease No. PRC 8377.1 to Occidental Resources of California, LLC (ORCA) on January 30, 2002. When issued, the Lease contained approximately 9,273 gross (5,163.5 net) mineral acres in the Grizzly Island Wildlife Management Area, Solano County. The State's mineral interests in the leased lands are of two types: first, a 50 percent (50%) mineral interest in those DF&G lands underlying Grizzly and Hammond Islands and second, a 100 percent (100%) mineral interest in State sovereign lands underlying Grizzly Slough, Howard Slough, Montezuma Slough, and the Roaring River. The DF&G administers all surface uses of the Grizzly Island Wildlife Management Area.

The Lease has been amended five times since its inception. The February 17, 2005 Lease amendment involved a partial quitclaim back to the State of all the Lessee's right, title and interest in approximately 4,755 acres. The lands retained under lease were 352.6 acres, more or less, of State sovereign lands, and 4,165.5 acres, more or less, of DF&G lands.

On August 8, 2005, the Commission approved an assignment of an undivided 100 percent (100%) interest in Oil and Gas Lease No. PRC 8377.1 from ORCA (Assignor) to Venoco, Inc. (Venoco) a Delaware corporation (Assignee), effective September 1, 2005. On February 9, 2006, the Commission consented to add 9.89 acres of State sovereign lands to the current lease. The Commission also approved the pooling of part of the current lands under lease and the new acreage with private lands held by the Lessee and others to form the "Roaring River 20-1" unit. The total amount of State sovereign lands is now 362.49 acres, more or less, and the DF&G lands remain unchanged at 4,165.5 acres, more or less.

Venoco informed staff that it had assigned a 56.25 percent (56.25%) interest in a portion of the State sovereign lands and DF&G lands of the Lease, known as Parcel B and Parcel B-2 (Exhibit B, attached hereto), to Rosetta Resources Operating LP (Rosetta), a Delaware limited partnership. This partial assignment involved approximately 117.32 acres, more or less, of State sovereign lands and 180.21 acres, more or less, of DF&G lands. Venoco did not apply to the Commission for approval of this assignment when it was made. The Commission, therefore, has not approved the assignment. Venoco has since

CALENDAR ITEM NO. **C129** (CONT'D)

filed an application requesting Commission approval of its assignment to Rosetta as part of this action. Staff has reviewed the application forms and found them to be complete.

On February 24, 2011, Rosetta entered into a Purchase and Sale Agreement with Vintage Petroleum, LLC (Vintage), a Delaware limited liability corporation, for all of its California assets, including its interest in State Oil and Gas Lease No. PRC 8377.1. In an application dated May 18, 2011, Rosetta requested that the Commission approve the assignment of its partial interest in the Lease (Exhibit C, attached hereto) to Vintage. As part of the assignment review process, Staff performed a financial review of Vintage's assets to ensure Vintage's performance of the terms of the lease. Staff determined that Vintage's parent, Occidental Oil and Gas Holding Corporation (OOGHC), a California corporation, should be required to sign a parental guarantee and take financial responsibility for the lease obligations. OOGHC has agreed to provide an unconditional guarantee (in a form substantially similar to that set forth in Exhibit D, attached hereto, of Vintage Petroleum LLC's faithful performance for all the terms, covenants, and obligations of that portion of State Oil and Gas Lease No. PRC 8377.1 being assigned will remain the lessee of record and operator of the lease, will continue to provide the bonding and insurance required by the lease, and will be the party responsible for payment of all rental and royalties due under the lease.

STATUTORY AND OTHER REFERENCES:

- A. Section 4 of the Lease.
- B. Public Resources Code section: 6804

OTHER PERTINENT INFORMATION

1. Assignment forms have been provided by Venoco, Inc.
2. Assignment forms have been provided and prerequisite filing fees have been paid by Rosetta Resources Operating LP.
3. Occidental Oil and Gas Holding Corporation shall execute an irrevocable and unconditional guaranty of Vintage Petroleum LLC's performance of the terms of the Lease. Occidental Oil and Gas Holding Corporation has submitted corporate and financial data that were reviewed by Commission staff. Based on the results of the reviews and experience with Occidental Oil and Gas Holding Corporation's other entities with current State Oil and Gas leases, Commission staff has determined that Occidental Oil and Gas Holding Corporation possesses the financial resources to meet the

CALENDAR ITEM NO. **C129** (CONT'D)

requirements and obligations under the terms of the State Oil and Gas Lease No. PRC 8377.1.

Venoco will remain the lessee of record and operator of the lease, will continue to provide the bonding and insurance required by the lease, and will be the party responsible for payment of all rental and royalties due under the lease.

4. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

5. This activity involves lands that have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et. seq. However, the Commission has declared that all lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code Sections 6370, et. seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

EXHIBITS:

- A. Location Map PRC 8377.1
- B. Location Map of assigned area.
- C. Land Description of assigned area.
- D. Proposed "Parental" Guarantee of Occidental Oil and Gas Holding Corporation.

PERMIT STREAMLINING ACT DEADLINE:

N/A

CALENDAR ITEM NO. **C129** (CONT'D)

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

1. Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

1. Consent to the assignment of a 56.25 percent interest in that portion of Oil and Gas Lease No. PRC 8377.1 as described in Exhibit C from Venoco, Inc. to Rosetta Resources Operating LP, with the assignee to be bound by all the terms and conditions of the Lease.
2. Consent to the assignment of that same 56.25 percent interest in that portion of Oil and Gas Lease No. PRC 8377.1 as described in Exhibit C from Rosetta Resources Operating LP to Vintage Petroleum LLC, with the assignee to be bound by all the terms and conditions of the Lease.
3. Authorize the Executive Officer or his designee to execute any documents necessary to implement these assignments.